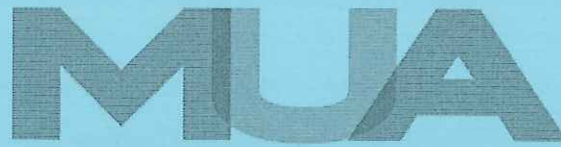


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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF ARTS IN MANAGEMENT AND LEADERSHIP

**BMT 301 : CORPORATE GOVERNANCE**

**DATE: 8<sup>TH</sup> DECEMBER 2017**

**DURATION: 2 HOURS**

**MAXIMUM MARKS: 70**

**INSTRUCTIONS:**

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

**QUESTION ONE**

**Read the Case Study below carefully and answer the questions that follow:**

Mary joined the board of ABC Rosh and Company, a large retailer, as finance director earlier this year. Whilst she was glad to have finally been given the chance to become a finance director after several years as a financial accountant, she also quickly realized that the new appointment would offer her a lot of challenges. In the first board meeting, she realized that not only was she the only woman but she was also the youngest by many years.

Rosh was established 100 years ago. Members of the Rosh family have occupied senior board positions since the outset and even after the company's flotation 20 years ago a member of the Rosh family has either been executive chairman or chief executive. The current longstanding chairman, Timothy Rosh, has already prepared his slightly younger brother, Geoffrey (also a longstanding member of the board) to succeed him two years' time when he plans to retire. The Rosh family, who still owns 40% of the shares, consider it their right to occupy the most senior positions in the company so have never been active in external recruitment. They only appointed Mary because they felt they needed a qualified accountant on the board to deal with changes in international financial reporting standards.

Several former executive members have been recruited as no-executives immediately after they retired from full-time service. A recent death, however, has reduced the number of non-executives to two. These sit alongside an executive board of seven that, apart from Mary, have all been in post for over ten years.

Mary noted that board meetings very rarely contain any significant discussion of strategy and never involve any debate or disagreement. When she asked why this was, she was told that all directors had all known each other for so long that they knew how each other thought. All of the other directors came from similar backgrounds, she was told, and had worked for the company for so long that they all knew what was "best" for the company in any given situation. Mary observed that notes on strategy were not presented at board meetings and she asked Timothy Rosh whether the existing board was fully equipped to formulate strategy in the changing world of retailing. She did not receive a reply.



**Required:**

- a) Explain "agency" in the context of corporate governance and criticize the governance arrangements of ABC Rosh and Company. (12 marks)
- b) Explain the roles of a nominations committee and assess the potential usefulness of a nominations committee to the board of Rosh and Company. (8 marks)
- c) Define "retirement by rotation" and explain its importance in the context of ABC. (5 marks)

**QUESTION TWO**

- a) Explain and evaluate the role, interests and claims of the internal and external parties involved in corporate governance. (10Marks)
- b) Analyses and evaluate issues of "ownership, property" and the responsibilities of ownership in the context of shareholding. (5Marks)

**QUESTION THREE**

Agency theory is directed at the ubiquitous agency relationship, in which one party (the principal) delegates work to another (the agent), who performs that work.

- a) Define and explain the key concepts in agency theory (5Marks)
- b) Explain and explore the nature of the principal-agent relationship in the context of corporate governance. (10Marks)

**QUESTION FOUR**

- a) Describe and evaluate the reasons behind the development and use of codes of practice in corporate governance (acknowledging national differences and convergence) (8Marks)
- b) Explain and explore the Sarbanes-Oxley Act (2002) as an example of a rules based approach to corporate governance (7Marks)

**QUESTION FIVE**

- a) Explain and explore social responsibility in the context of corporate governance (8Marks)
- b) Discuss with illustrations the six key pillars of corporate governance (7Marks)

**QUESTION SIX**

Discuss and critically assess the concept of stakeholder power and interest using the Mendelow model and how this can affect strategy and corporate governance (15Marks)